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Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 OIC-04 AID-20 CEA-02 CIAE-00

COME-00 EB-11 EA-11 FRB-02 INR-10 IO-14 NEA-10

NSAE-00 RSC-01 OPIC-12 SP-03 TRSE-00 CIEP-02 LAB-06

SIL-01 SWF-02 OMB-01 STR-08 AGR-20 L-03 XMB-07 INT-08

SCI-06 FEA-02 SS-20 NSC-07 SSO-00 NSCE-00 INRE-00

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FM USMISSION OECD PARIS
TO SECSTATE WASH DC IMMEDIATE 2323

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E.O. 11652: N/A
TAGS: EGEN, OECD
SUBJECT: INFORMAL PREPARATIONS FOR OECD XCSS MEETING
APRIL 23-24

1. SUMMARY. ON APRIL 5, XCSS CHAIRMAN JOLLES MET IN-
FORMALLY WITH GROUP OF INDIVIDUALS BY PERSONAL INVITA-
TION TO DISCUSS PREPARATIONS FOR APRIL 23-24 XCSS
AND MAY 16-18 MINISTERIAL COUNCIL MEETING. INDIVIDUALS
ATTENDING INCLUDED: LANGUETIN (SWITZERLAND),
DE MOREL (FRANCE), STEEG (GERMANY), LAM (UK), TSURUMI
(JAPAN), PHAN VAN PHI (EC COMMISSION), THOM (CANADA),
AMB. MALMGREN (US), OECD SECGEN VAN LENNEP, AND TWO
SENIOR MEMBERS OF SECRETARIAT. DISCUSSION CENTERED ON
SET OF JOINT UNDERTAKINGS TO REFRAIN FROM
UNILATERAL MEASURES IN TRADE AND INVISIBLES FIELD THAT
COULD AGGRAVATE OTHER MEMBER COUNTRIES' ECONOMIC AND
BALANCE OF PAYMENTS PROBLEMS. GROUP WAS DISPOSED TO
GIVE FURTHER SERIOUS CONSIDERATION TO SUCH UNDERTAKINGS
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IN CONTEXT OF PREPARATIONS FOR UPCOMING XCSS AND

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MINISTERIAL MEETINGS. END SUMMARY.

2. JOLLES OPENED DISCUSSION BY ASKING WHAT POLICY OBJECTIVES OECD GOVERNMENTS SHOULD PURSUE IN LIGHT OF OIL CRISIS AND REACTIONS TO IT. VAN LENNEP EMPHASIZED NEED TO "BREAK BACK OF INFLATION PROBLEM" AND TO AVOID "WRONG RESPONSES" TO CRITICAL ADJUSTMENT PROBLEMS IN FORM OF BEGGAR-THY-NEIGHBOR POLICIES. HE FELT ACTION IN TRADE FIELD WAS MOST TIMELY NOW BOTH FOR ITS ECONOMIC IMPORTANCE AND TO BOLSTER PUBLIC CONFIDENCE. TSURUMI SAID OECD MINISTERIAL WILL BE FIRST MEETING OF ALL INDUSTRIALIZED DEMOCRACIES MEETING TOGETHER ON FULL RANGE OF ECONOMIC QUESTIONS SINCE OUTSET OF ENERGY CRISIS. HE SAID HE WOULD WELCOME A SIGNIFICANT EFFORT ON ALL ELEMENTS OF A DECLARATION, ESPECIALLY IN TRADE FIELD. AMB. MALMGREN REFERRED TO SECRETARY SHULTZ'S CALL AT ROME C-20 MEETING FOR PLEDGE ON TRADE MEASURES AS WELL AS US EFFORT IN C-20 DEPUTIES MEETING TO REVISE RELEVANT IMF ARTICLES. MALMGREN EXPLAINED US CONCEPTS AND NOTED THAT IN ROME SECRETARY SHULTZ HAD FAVORED SOME PLEDGE THAT WOULD DEAL WITH INTERIM PERIOD WHILE INTERNATIONAL RULES WERE BEING REVISED.

3. GROUP THEN TURNED TO PRELIMINARY DISCUSSION DF MORE SPECIFIC TRADE AND OTHER CURRENT ACCOUNT MEASURES ON BASIS OF TWO SECRETARIAT DRAFTS ("NON-PAPERS") ALONG LINES SET OUT PARAS 10-18, OECD DOC E(74)3. MAIN TOPICS WERE TRADE MEASURES FOR BALANCE OF PAYMENTS OR SECTORAL DIFFICULTIES AND ARTIFICIAL AIDS TO EXPORTS INCLUDING EXPORT CREDITS. JOLLES SAID TOURISM WOULD ALSO HAVE TO BE INCLUDED FOR GREECE, TURKEY,SPAIN, ITALY, ETC. MORE DETAILED QUESTIONS TO WHICH THESE TOPICS GAVE RISE WERE: A) SHOULD COMMITMENTS NOT TO RESORT TO TRADE MEASURES BE UNQUALIFIED OR LIMITED IN SOME WAY TO DIFFICULTIES RESULTING FROM THE INCREASE IH OIL PRICES? IS SUCH A DISTINCTION FEASIBLE IN PRACTICE? B) WOULD ENGAGEMENTS UNDER CONSIDERATION GO BEYOND GATT OBLIGATIONS, E.G. UNDER ARTICLE XIX? C) WOULD ENGAGE-MENTS APPLY ONLY AMONG OECD COUNTRIES OR BE EXTENDED TO OTHERS AS WELL? D) COULD SAFEGUARD ACTION BE RENOUNCED
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VIS-A-VIS NON-OECD COUNTRIES? E) MIGHT ENGAGEMENTS BE LIMITED TO SECTORAL SAFEGUARD MEASURES WITH A "SIGNIFICANT IMPACT ON TRADE"? THIS WOULD SUGGEST A CONSULTATIVE PROCEDURE, PLACING BURDEN OF PROOF ON COUNTRIES TAKING SAFEGUARD ACTION. MORE GENERALLY, MIGHT COUNTRIES AGREE TO REFRAIN FROM TRADE MEASURES WHICH WOULD "HAVE A SIGNIFICANT IMPACT ON TRADE FLOWS"? F) ON QUESTION OF ARTIFICIAL STIMULATION OF

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EXPORTS, STEEG SAID FRG WAS PREPARING A PROPOSAL FOR
A GENTLEMEN'S AGREEMENT ON INTEREST RATES AND MATURITIES
FOR EXPORT FINANCING. HENCE IT WOULD BE DESIRABLE AT
THIS STAGE TO REFER IN GENERAL TO EXPORT AIDS. STEEG
ALSO RAISED QUESTION OF STIMULATING EXPORTS TO OIL
PRODUCING COUNTRIES AND NOTED THAT THE EUROPEAN
COMMUNITY HAD NOT YET REACHED A DECISION ON THIS.
G) DE MOREL THOUGHT A BOOST SHOULD BE GIVEN TO
THE IDEA OF A GENTLEMEN'S AGREEMENT ON EXPORT FINANCING.

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SCI-06 FEA-02 SS-20 NSC-07 SSO-00 NSCE-00 INRE-00

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HE SAID A DISTINCTION HAD TO BE DRAWN BETWEEN SUBSIDIES
AND OTHER MEASURES DESIGNED TO IMPROVE THE POSITION OF
PARTICULAR FIRMS IN INTERNATIONAL COMPETITION.

4. GENERALLY SPEAKING GROUP WAS DISPOSED TO GIVE
FURTHER SERIOUS CONSIDERATION TO A SET OF ENGAGEMENTS

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IN THIS FIELD. LAM OF UK WAS MOST HESITANT, POINTING OUT THAT CHANCELLOR OF THE EXCHEQUER HAD SAID HE DID NOT WISH TO HAVE DIRECT CONTROLS ON IMPORTS, IF THEY COULD BE AVOIDED. LAM WAS UNSURE WHETHER UK MINISTERS COULD GO FURTHER AT THIS STAGE. TOWARD END OF MEETING JOLLES SAID GROUP SEEMED AGREED IN SPIRIT THAT SOME KIND OF STANDSTILL PLEDGE WAS NEEDED.

5. FOLLOW-UP PROCEDURES. A) JOLLES SUGGESTED THAT SECRETARIAT PREPARE NEW ISSUES PAPER AS AN ANNEX TD CE(74)3 FOR EARLY CIRCULATION (APRIL 8-10). PAPER
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WOULD SET OUT ISSUES NOTED ABOVE, USING FORMULA TIONS THAT MIGHT LATER BE CONVERTED INTO RESOLUTION OR DECLARATION. PAPER MIGHT BE CIRCULATED OR DISCUSSED AT HEADS DEL MEETING SCHEDULED FOR APRIL L0. AT LATER STAGE SECRETARIAT MIGHT DO INFORMAL DRAFT OF RESOLUTION OR DECLARATION FOR QUIET, SELECTIVE DISTRIBUTION TO KEY DELS BEFORE XCSS. B) RE ORGANIZATION OF XCSS MEETING, JOLLES SUGGESTED THAT MORNING SESSION APRIL 23 BE DEVOTED TO DISCUSSIONS OF WIDE RANGE OF INTERRELATED ECONOMIC, TRADE, MONETARY, INVESTMENT, AND AID ISSUES IN LIGHT OF RECENT ECONOMIC DEVELOPMENTS. HAVING ESTABLISHED GENERAL SETTING IN MORNING, XCSS COULD PROCEED IN AFTERNOON SESSION TO MORE SPECIFIC DISCUSSIDN OF TRADE AND OTHER CURRENT ACCOUNT MEASURES IN HOPE OF REACHING CONSENSUS.

6. THIS CABLE WAS DRAFTED ON BASIS OF AMB. MALMGREN'S HAND WRITTEN NOTES AND WAS PREPARED AND TRANSMITTED AFTER HIS DEPARTURE FROM PARIS.

7. DEPARTMENT REPEAT AS DESIRED.
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